In 5

TO BE PRESENTED UPON RECEIPT OF POMS SI 835.001-835.640.

INSIDE ISM AND SHARING

Revisions to Title XVI In-kind Support and Maintenance (ISM) Policy and Procedure.

AUGUST, 1988

Instructor Guide

OFFICE OF TRAINING

OFFICE OF HUMAN RESOURCES,
TRAINING, AND MANAGEMENT ANALYSIS

READEX FICHE best copy available

HE 3.6/3:

Inside ISM and Sharing

SSA TECHNICAL TRAINING LESSON PLAN

LESSON TITLE	INSIDE ISM AND SHARING
PREPARED BY	OFFICE OF TRAINING Division of Technical Training August, 1988 Technical support provided by the Office of Supplemental Security Income.
PURPOSE OF THE LESSON	This lesson supports the recent revision to POMS Part 5, Chapter 008, Subchapter 35 which deals with living arrangements (LA) and in-kind support and maintenance (ISM). The revision clarifies many development issues and expands the explanation of how to determine sharing as an LA basis and for determining ISM from within the household.
LENGTH OF CLASS	3 HOURS. Although much of the material is not new, we recommend investing the training time to improve understanding of this subject.
AUDIENCE	All title XVI and generalist claims representatives and their supervisors.
INSTRUCTIONAL CONSIDERATIONS	Each student will need a copy of forms SSA-8006-F4 and SSA-8008. Student material located at the end of the lesson should be photocopied locally.

SEQUENCE OF INSTRUCTION

I. GENERAL RULES FOR VALUING ISM

A. Basis for the Training
B. ISM Defined
C. Relationship between LA and ISM
D. Calculating Inside ISM

II. IDENTIFYING COMMON CONCEPTS IN DETERMINING INSIDE AND OUTSIDE ISM

A. First of the Month Rule
B. Household Costs
C. Conversions of Household Costs
D. Household Composition

III. DEVELOPING INSIDE ISM

A. Averaging Household Operating Expenses
B. Contributions
C. Prepaid Contributions
D. Other Contribution Issues
E. Evidence of Expenses and Contributions
F. Cash Income from within the Household
G. Cash Income from Outside the Household
H. Forms

IV. REDEVELOPING ISM

A. Breakpoints
B. Gradual Changes in ISM
C. Redeterminations

OBJECTIVE 1: Apply general rules for valuing in-kind support and maintenance (ISM) based on the living arrangement (LA).

I. GENERAL RULES FOR VALUING ISM

A. Basis for the training:

This training is based on the recent revisions to the Program Operations Manual System (POMS) Part 5, Chapter 008, Subchapter 35 which deals with living arrangements (LA) and in-kind support and maintenance (ISM).

The purpose of the revision is to expand the explanation of how to determine sharing as a living arrangement basis and for purposes of determining ISM from within the household.

The POMS revision contrasts ISM received from within the household to ISM received from outside the household and draws attention to the similarities and differences.

The revision gives special attention to explaining the development of LA and ISM in posteligibility situations and clarifies many other issues in the subchapter.

While this training initiative highlights many basic concepts related to ISM, it does not go into great detail on those elements which have not changed. The material in the lesson is recommended as a general review of ISM policy, providing an overview of the basics while going into greater detail on the main focus of the transmittal, inside ISM and sharing.

B. *ISM Defined:*

Define ISM as unearned income in the form of food, clothing, or shelter or any combination of these. All food, clothing, and shelter are considered to meet an individual's basic needs even if an item could be subjectively construed to be a luxury item.

There are three sources or types of ISM for persons living in households:

1. **Inside ISM is food and/or shelter provided to an individual through the contributions of other household members toward household operating expenses.**

2. **Outside ISM is food or shelter provided by or paid for by a source outside the household. Examples are rent free shelter or an electric bill paid by someone outside the household.**

3. **ISM to one person can be food or shelter or clothing provided to and benefiting only one person. Such ISM may be provided by someone in the household or someone outside the household.**

Clothing is always charged as ISM to one. Shelter can be, but is rarely, ISM to one.

Food usually benefits everyone in the household, but occasionally is ISM to one.

Example: **Free food provided to an individual through the contributions of others in the household falls into the inside ISM category if meals are shared. If, however, the household members provide the individual with special dietetic food which no one else eats, that special food could be viewed as ISM to one.**

ISM = Unearned income in the form of food, clothing, or shelter, or any combination of these.

C. *Relationship between Living Arrangement and ISM:*

CRs must determine an individual's living arrangement (LA) because the LA indicates the possible sources of ISM, and whether the inside ISM can be valued under the presumed maximum value rule or whether the value of the one-third reduction applies.

The value of the one-third reduction (VTR) is the value assigned to the inside ISM when the individual lives in a household other than his own and receives both food and shelter from the other household members. The VTR is equal to one-third the FBR. The VTR is not subject to the general income exclusion and cannot be rebutted to a lower actual value.

The presumed maximum value (PMV) rule is used to value the inside ISM when the value of the one-third reduction does not apply. It is a regulatory cap on the amount of chargeable ISM. The PMV equals one-third the FBR plus $20 for an individual. Outside ISM and ISM to one person are always valued under the PMV rule. The individual may rebut the PMV by producing evidence of a lower actual value for ISM from all sources.

Refer to HO-2, Possible Sources of ISM for Each Living Arrangement. Point out that this chart covers all household LA's and shows which types of ISM may apply and how the inside ISM would be valued (VTR vs. PMV).

Note there is only one situation where the VTR applies. All other ISM is valued under the PMV rule.

Note that inside ISM is possible only when the individual lives with "others." "Others" means someone other than a spouse or deemor or children.
When the individual lives only with a spouse or deemor, there is no inside ISM because food and shelter provided by a spouse or deemor is accounted for through the deeming process.

Inside ISM from children is possible when the children have income and there is an issue of unstated income or in the CR's judgment, there may be inside ISM.

The living arrangement indicates the possible sources of in-kind support and maintenance.

1. ***GROUP I:***

In Group I on the chart, the individual is considered to be "living in his own household" or at least not living in the household of another. This includes sharing and presumed sharing (PA household). When all members of the household receive public assistance, the individual is irrebuttably presumed to be sharing. When the individual is "sharing" there is no inside ISM possible.

When the individual lives alone or in noninstitutional care, inside ISM is not possible because there are no others in the household.

If the individual is in a noninstitutional care situation, the individual is considered to be in a household of one.

When an individual is in a household of only one person, and food and shelter items are paid for or provided by someone outside the household of one, the ISM is classified as outside ISM. Outside ISM is ISM which could benefit all household members if there were more than one household member.

In Group I on HQ 2, an LA basis of sharing exists when the individual contributes his share of the total food and shelter items. If his contribution is within $5 of his pro rata share of both food and shelter, he is determined to be sharing, and there is no inside ISM. The $5 tolerance does not apply to a determination of earmarking or ISM from within subject to the PMV. When sharing exists, do not forget to consider ISM from outside the household or ISM to one.

If the individual's contribution is not within $5 of his pro rata share, he is receiving inside ISM for both food and shelter at the VTR. When the VTR applies, there is no need to develop other sources of ISM. In order for the VTR to apply, the living arrangement must exist throughout the month. If it does not, then the ISM is based on the first-of-the-month residence and is valued using the PMV rule.

When sharing exists, do not forget to consider ISM from outside the household or ISM to one.

2. ***GROUP II:***

In Group II the individual lives in the household of another but does not receive both food and shelter from others.

Group II includes situations in which the individual is consuming his food outside the household and/or is purchasing his own food separately. Separate purchase can also exist when an eligible spouse or deemor buys food on behalf of the individual, but not necessarily only for the individual.

Example **An ineligible parent lives with an eligible child and separately purchases food for the family, apart from the other household members. Even though the child does not separately purchase his own food with his own money, he does not receive food from anyone other than his parent. The child is determined to be separately purchasing.**

When separate purchase or separate consumption is determined, there is no inside ISM for food. There may be inside ISM, however, in the form of shelter. There may also be outside ISM in the form of shelter.

If the individual is not paying for the food consumed separately, there may be ISM to one person. There cannot be any ISM in the form of food if the individual purchases his own food.

Group II includes situations which exist when the individual is sharing both food and shelter items with other household members, but earmarks his contribution for one or the other or both. If the earmarked share equals or exceeds the pro rata share of the earmarked expense, there is no inside ISM for the designated expense category. The actual value of ISM in the case of earmarking is the difference between the total pro rata share of both food and shelter, minus the individual's total contribution.

Group II includes situations which exist when household members do not pay for any of their food, e.g., all food is bought with food stamps or is provided from outside the household. It also exists when household members do not pay for even a single item of shelter. This could happen when all shelter items are provided by someone outside the household.

D. Calculating Inside ISM:

Explain that <u>inside ISM subject to the VTR</u> is determined by comparing the individual's contribution to the pro rata share. <u>Inside ISM subject to the PMV</u> is determined by subtracting the individual's contribution from the pro rata share.

Remind the class that the pro rata share is the result of dividing the average monthly household operating expenses by the number of people in the household.

<u>Note</u>: **Separate pro rata shares for food and shelter may have to be determined if all members of the household do not share the food as when the individual separately consumes or purchases food.**

CALCULATION WHEN INSIDE ISM IS SUBJECT TO THE PMV:

Average Household Operating Expenses	divided by	Number of People in HH	minus	Individual's own contribution

Separate pro rata shares for food and shelter must be determined in making a determination of earmarking. Give the following example of the effect of earmarking on valuing ISM:

Example: **Ms. Lancey lives with friends. Her total pro rata share of the household operating expenses for both food and shelter is $200. Her total nonearmarked contribution is $150. The inside ISM is considered to be for both food and shelter. Since nothing higher in the sequence of LA development exists, the ISM is valued under the VTR rule. Her payment would be reduced by an amount equal to one-third the FBR.**

If she alleges, however, that her contribution is earmarked for the household food expense, and her $150 contribution exceeds her pro rata share of food, ISM can be charged only for shelter. The PMV rule applies.

When earmarking exists, the actual value of the ISM is the difference between the total pro rata share of $200 (in the example above) minus the total contribution of $150. The AV is $50. Since $50 is less than the PMV, the lower actual value is charged.

OBJECTIVE 2: Identify common concepts in determining inside and outside ISM.

II. IDENTIFYING COMMON CONCEPTS

A. First-of-the-Month Rule:

The chargeable ISM an individual receives during the month is based on the residence that exists as of the first moment of the month. Define residence as the place where a person makes his home. Residence is synonymous with the term permanent living arrangement. CRs must be alert to temporary absences on the first of the month or situations in which the first of the month residence is not clear.

In general, a temporary absence is an absence from a permanent living arrangement which is not intended to and does not, exceed a full calendar month. However, a temporary absence may be of greater duration if due to illness or school attendance.

Using the first-of-the-month rule eliminates the need to make multiple ISM determinations when more than one residence exists during a month. Both inside and outside ISM are charged based on the first-of-the-month residence. The computation is done as if the individual lived in the household throughout the month.

B. *Household Costs:*

Refer to HO 3, Household costs. Household costs are limited to specific items. The same household costs are considered in developing both inside and outside ISM. For inside ISM, these costs make up the household operating expenses, i.e., the cash expenditures of a household for food and shelter. For outside ISM, these costs make up the CMV of food and shelter items received from outside the household.

Make these points about specific household costs:

1. **Rent includes payment of a landlord's mortgage, rent, or taxes.**

2. **A mortgage includes property insurance required by the mortgage holder.**

3. **A mortgage includes a payment on a mobile home, even in States where it is not considered real property. A mortgage can include an additional mortgage (but not an additional mortgage taken out for a business expense).**

Point out that only the items specified as household costs are developed.

Example: **Trailer space fees and condo fees are not on the list. If, however, these fees contain recognized household costs, e.g., water or sewer, and those costs can be isolated, we count the isolated expenditures.**

Example: **A telephone bill is not a household cost since it is neither food nor shelter.**

C. Conversions of Household Costs:

Sometimes a vendor charge for a household cost does not reflect what the household pays on a monthly basis for that cost or does not represent the monthly value of what the household actually receives from a third party. Therefore, the vendor charge or the current market value of what is provided to the household must be converted to an amount that reflects the monthly value of food and/or shelter. Conversions may be necessary when:

1. **Business or agricultural costs are included in the costs;**
2. **More than one household may be utilizing the item for which there is a cost;**
3. **Arrearages are included in the vendor charge; or**
4. **Costs are billed on an other than monthly basis.**

Business or agricultural costs may be included in the mortgages, taxes or utility costs when a business is operated in the home or the home is part of an operating farm. The POMS provides guidelines for subtracting these nonhousehold costs.

Arrearages are not expenditures. The amount on a bill or included in an estimate which represents an arrearage is not a household cost until it is paid.

Example: The vendor charge for rent is $350 a month. In June, the household did not pay the rent. The household operating expense for rent in June was zero. In July, the rent bill was $700 which included the $350 arrearage from June. The household paid $500. The household operating expense for July was $500, the actual expenditure. The balance of $200 remains an arrearage and is not counted until it is paid. If it is never paid, it is never counted.

Occasionally, more than one household may use a shelter item in common. A shelter item used in common is one which is used jointly by two or more households (e.g., gas and electricity on one meter.)

In determining the household operating expenses, follow these rules:

1. **If the households involved split the expense (not necessarily equally), then there is no conversion to perform. The household operating expense is whatever each household pays.**
2. **If one of the households does not pay any of the expense, there is no household operating expense for that household.**
3. **To determine the household operating expense of the household which pays the expense, divide the monthly expense by the number of households which share the common expense.**

In determining the CMV of outside ISM, first remember that there is no ISM from outside the household when a third party provides a common shelter cost or someone in another of the households provides for a common shelter cost if anyone in the SSI individual's household:

- **Has rental liability to someone in another of the households;**
- **Receives rent-free shelter from someone in another of the households; or**
- **Renders services to someone in another of the households in return for remuneration in the form of shelter.**

If the conditions above do not apply, divide the CMV of the outside ISM by the number of households using the items.

Some household costs may have to be converted to a monthly amount before they can be used in determining the household operating expenses for inside ISM or the CMV of household costs paid for or provided by someone outside the household.

To determine the household operating expense for a cost that is billed on other than a monthly basis, conversion is usually a simple matter of dividing the bill by the number of months in the billing period.

The first month the household cost is a household operating expense is the month it is paid. If charges are more frequent than monthly, multiply appropriately to come up with a monthly amount. SI 000835.470E contains guidelines.

Heating fuel which is not billed regularly must be treated differently. Divide heating fuel charges by 12. Use the same procedure for heating fuel paid for or provided by someone outside the household.

In determining the value of outside ISM, the exception to the general rule on when to count ISM must be considered. Do not count the ISM until the bill is actually paid if the payment is a gift (i.e., the payer is not liable for the bill) and all or part of the charge is for past months.

Example: **In April someone outside the household paid the household's $150 water bill directly to the utility company for the quarter ending in March. Although the monthly amount of ISM is $50, we do not go back and count the monthly amounts in January - March because the exception to the general rule on when this ISM is counted applies. In a sense the vendor extended credit for those months by providing services without payment due until after the quarter. The charges were then paid directly to the vendor, as a gift, by a third party. So, the $150 is counted in April.**

Applying this principle can be complicated when dealing with real estate taxes if some of the months in the taxing period are elapsed when the bill is paid and the rest of the months in the taxing period are in the future.

Example: Mrs. Jenkins, an SSI recipient, lives with her sister in a home that Mrs. Jenkins owns. During a redetermination conducted in July 1987, Mrs. Jenkins reported that her brother, who has no ownership interest, paid the taxes for her in March 1987. The taxing period was June 1986 through May 1987. The taxes amounted to $1200.

The first step in the computation of the ISM is to convert the $1200 payment to a monthly amount. The billing period is 12 months so $1200 is divided by 12. The converted CMV is $100. The ISM is first charged in March when the bill is paid.

At that point, the exception to the general rule applies to the fully elapsed months because they are "on credit." The CMV of the ISM to be charged in March is $1000 (i.e., 9 x $100 for the elapsed months plus $100 for March--this is figured under the general rule). The PMV is used, rather than the actual value (AV) of $500.

For the subsequent months in the tax period, April through May, ISM is charged under the general rule because the ISM is already "paid for." The CMV for each month is $100; the AV is $50.

D. Household Composition:

Define household composition as the persons living in the household as of the first moment of the month, including those who are temporarily absent.

Household composition is an important concept.

When there is at least one other person in the household who is not the individual's spouse, or deemor, inside ISM is an issue.

The number of people used in the calculation affects the pro rata share in determinations of inside ISM by changing the divisor. Also, the number of people in a household usually affects the amount of the household operating expenses.

The household composition also affects outside ISM calculations in that the CMV of outside ISM is divided by the number of household members to arrive at the AV to the individual.

OBJECTIVE 3: Develop inside ISM.

III. DEVELOPING INSIDE ISM

A. Averaging Household Operating Expenses:

Remind the group that we use average household operating expenses in an inside ISM computation. The general rule is to average the expenses for the 12 months prior to the month for which the determination is needed.

Exception: **If the individual's residence or the number of persons in the household has not been the same for the previous 12 months, use the consecutive full months the individual has lived there with the same number of persons as exists in the month for which the determination is being made. This may mean including the determination month and subsequent months up until the point the determination is being made.**

Mention that averaging does not apply to outside ISM.

Determine outside ISM on a month by month basis.

Refer to SI 00835.475 for examples of averaging.

Refer to HO 4, Averaging Periods.

B. Contributions:

When calculating inside ISM, contributions are averaged just as expenses are averaged, until there is a significant change.

A contribution is the average amount of cash spent on the average household operating expenses. The following are examples of contributions:

1. **A household member pays a household operating expense directly to the vendor; or**

2. **A household member gives cash to the householder; or**

3. **A household member pays a bill for the householder in lieu of a cash contribution.**

   Example: Instead of making a $100 cash contribution, the individual pays the householder's $100 monthly car payment.

4. **Someone outside the household gives cash to the individual or to the householder on the individual's behalf for household operating expenses. The cash income is charged as type S in the UM field and is included in his contribution when determining sharing.**

C. ***Prepaid Contributions:***

Prepaid contributions must be allocated for months beyond the month in which they are made. ***Refer to HO 5, Prepaid Contributions.***

D. Other Contribution Issues:

Point out these additional issues related to contributions:

Do not determine sharing for a future month based on a allegation of a future increase in contributions.

An alleged loan agreement is also not a basis for determining sharing. An individual can make a contribution from borrowed funds, but in order for the funds to be considered a loan, money must change hands. Therefore, do not determine that a loan agreement exists on the basis that the claimant "owes" the householder for the food and shelter received.

In the case of AFDC or BIAGA recipients, if money from the grant was used for household operating expenses, determine the individual's portion of the contribution made with these funds by dividing the contribution by the number of persons on the grant.

Note: **This method is used for LA/ISM purposes; not for determining AFDC or BIAGA income.**

A portion of the contribution of a deemor can be allocated to the individual. Any contribution made by the deemor to the household expenses is first applied toward the deemor's pro rata share. Apply any excess equally to the other family members' pro rata shares. "Family member" refers to the other persons involved in the deeming computation.

Services and goods provided in exchange for food and shelter do not constitute a contribution.

E. Evidence of Expenses and Contributions:

Generally, evidence of expenses and contributions is a signed statement from the householder or other knowledgeable adult member of the household (other than the individual's spouse).

The statement must show the average household operating expenses and the average contribution by the individual. The individual's own statement about household composition is adequate.

Refer to HO 6, Evidence of Expenses and Contributions.

Explain that in certain situations, a determination may be based solely on the individual's allegations:

1. ***SHARING AS AN LA BASIS OR THE VTR:***

   a. Zero contributions: If the individual makes no contribution to expenses, obtain the individual's statement over his signature. Assume household expenses include both food and shelter. Determine the VTR.

   b. Token contributions: If the individual alleges his contribution could not possibly equal his pro rata share, obtain this statement over the individual's signature. Assume household operating expenses include both food and shelter. Determine the VTR if earmarking is not alleged.

   c. Alleged contribution exceeds pro rata share by $20 or more: Accept the individual's allegations on the SSA-8006. Determine that sharing exists.

d. Alleged contribution falls short of alleged pro rata share by $20 or more. Accept the individual's allegations on the SSA-8006. Determine the VTR unless earmarking alleged.

2. *INSIDE ISM SUBJECT TO PMV:*

a. The individual is the householder. Accept the individual's allegation of expenses and contributions on the SSA-8006 as evidence when the individual is also the householder. If the individual alleges no contributions by other household members, obtain his signed statement and no SSA-8006.

b. Alleged contribution exceeds pro rata share by $20 or more. Accept the individual's allegation on the SSA-8006 as evidence that there is no ISM from within the household.

c. Individual alleges ISM greater than the PMV or does not rebut the PMV. Evidence beyond the individual's allegations is not necessary if the individual alleges an AV greater than the PMV or does not rebut the PMV.

3. *EARMARKED SHARING OR THE VTR:*

a. Token earmarked contribution. If the individual alleges his earmarked contribution could not possibly equal his pro rata share of the earmarked expense, obtain the individual's statement over his signature. Assume that the household expenses include both food and shelter and charge the VTR.

b. Alleged earmarked contribution falls short of the alleged pro rata share by $20 or more. If the individual's allegations on the SSA-8006 show he falls short of contributing his pro rata share of the earmarked contribution by $20 or more, accept his allegation. Charge the VTR.

F. *Cash from within the household:*

If the individual has ownership interest or rental liability, develop cash income from within the household whenever the household is one in which inside ISM is possible, including cases in which the inside ISM has been ruled out.

If the individual has an **ineligible spouse** in the household, determine whether the ineligible spouse has excess contributions which can be allocated to those involved in the deeming computation before figuring the recipient's excess contribution. This eliminates the possibility of charging the recipient with unearned income because of his spouse's excess contribution.

Example: Mr. Jameson, an SSI recipient, lives with his ineligible wife in their own home. Their two adult sons live with them. Mrs. Jameson contributes $500 a month towards household expenses, but Mr. Jameson contributes nothing. The sons contribute a total of $450 a month. The total household operating expenses are $800 a month.

Mr. Jameson makes no contribution, but his wife's excess contribution of $300 ($500 minus $200 pro rata share) is added to his own (zero) creating an excess contribution of $100 ($300 minus $200 pro rata share) for Mr. Jameson.

This excess should be subtracted from the total household contributions of $950. Household cash contributions exceed total household operating expenses by $50. This cash income to Mr. and Mrs. Jameson is then divided by two and Mr. Jameson is charged with $25 cash income.

G. Cash Income from Outside a Household:

Cash payments from outside a household for household operating expenses are treated as cash income, not ISM. Cash payments to a member of the household may be intended for the use of that member only or for a few members or all members of the household. When cash payments are intended for more than one member of the household, divide the payment by the number of beneficiaries of the payment. If this payment from outside the household is for household expenses, the individual's share of the payment is included in the individual's contribution to the household expenses. This is true even if the payments are given directly to the householder (or other agent) on the individual's behalf.

When an allegation of cash payments for household operating expenses from outside the household is made, determine for whose use the payment is intended. If the individual is included in the payment, obtain a signed statement from the individual regarding the amount and intended beneficiaries of the payment.

H. Forms:

Distribute forms SSA-8006 and SSA-8008 to the class. Explain that the SSA-8006 is used at times as an extension of the application, application update form, or redetermination, and may also stand alone to document living arrangement and ISM issues. The SSA-8008 is a summarized determination of an individual's LA, chargeable inside or outside ISM, and/or any other ISM received. Neither form is intended for self-help.

Following are some general guidelines for using the form SSA-8006-F4:

1. An SSA-8006 must reflect LA/ISM information pertinent to a single residence.

2. When there is more than one residence to document on a case, it should be clear to which residence each SSA-8006 refers.

3. If more than one LA/ISM determination is needed because there are breakpoints during the period of review, then these changes are best documented on separate SSA-8006's with one exception. One SSA-8006 can be used to document 3 different averaging periods if the reason for the different periods is a change in a non-fluctuating household operating expense.

4. The period of time represented by each SSA-8006 should be shown in the "beginning" and "through" blocks at the top of the form.

Remind the CRs to complete Part I of the SSA-8006 in the following situations:

-- **When a change in residence or LA basis occurs during or subsequent to the month of filing, and the claim is still pending in the FO, and an SSA-8203-BK has not been used to develop the change.**

-- **When inside ISM is being developed in connection with the PEOS exclusion involving ISM at less than the PMV posted to the SSR.**

-- **Whenever an individual reports a breakpoint and the answers are needed to determine the change in LA or ISM, if any.**

Remind the CRs that Part II of the SSA-8006 should be completed when based on answers on the application, the SSA-8203 or Part I of the SSA-8006, the individual lives in a household in which inside ISM is possible. Part II is designed to cover all points necessary to establish an LA basis lower in the sequence of living arrangement development than PA household (i. e., separate consumption or purchase of food, sharing, earmarked sharing, and the VTR). Part II records the individual's allegation of the amount of ISM received from within the household, if any.

Use Part II when the answers are needed to determine any change in LA or ISM when a breakpoint is reported.

Point out that question 4 on the SSA-8006 provides space for identifying the averaging period for the household operating expenses. In question 4, each household expense must be answered by the claimant if the claimant's statement is to be used as the evidence of household operating expenses. That is, enter "none" or "N/A" for those items for which the claimant alleges no expense.

The answer to question 4 is not always necessary when there is no LA higher in the sequence than sharing alleged and the individual contributed nothing or alleges a token contribution. The answer to question 4 is also not necessary if the individual, who is not the householder, is unable or unwilling to provide answers regarding the household operating expenses. (In this case the answers must be obtained from a knowledgeable member of the individual's household.)

OBJECTIVE 4: Redevelop ISM for months after the first month of eligibility

IV. REDEVELOPING ISM

A. Breakpoints:

A breakpoint is an event which signals a possible change in inside or outside ISM. It may mean the ISM should be valued differently, i.e., under the PMV rule rather than the VTR or vice versa. It may mean ISM now exists where it did not before or vice versa or the amount may have changed. *Refer to HO 8, Breakpoints.*

INSIDE ISM BREAKPOINTS

1. Change in ownership interest or rental liability;
2. Change in public assistance (PA) household status;
3. Change in separate purchase/consumption;
4. Change in contribution to household expenses;
5. Change in household composition;
6. Change in non-fluctuating household operating expense;
7. Change in earmarking;
8. Change in residence.

OUTSIDE ISM BREAKPOINTS

1. Change in household composition;

2. Change in household payment towards the household cost;

3. Change in the CMV of the household cost--a change in the vendor charge or if there is no vendor charge, a change in the estimate of the CMV which results from an identifiable event;

4. Change in provision of household items by someone outside the household, i.e., starting or stopping;

5. Change of residence.

Refer to HO 9, Breakpoint Effective Months. The chart shows the effective month of change for all breakpoints:

EVENT	EFFECTIVE MONTH OF CHANGE
Change to rental liability or ownership interest (from VTR)	Month it occurs.
Loss of rental liability or ownership interest	Month after it occurs.
PA Household:	
Member starts receiving PA.	Month it occurs.
Member stops receiving PA.	Month after.
Member without PA moves in or out.	Month after.
Change to separate purchase or consumption.	First full month it occurs.
Change from separate purchase or consumption.	Month it occurs.
Change in contribution.	Month it occurs.
Change in composition.	Month after.
Change in non-fluctuating household operating expense.	Month it occurs.
Change to earmarking.	First full month it occurs.
Change from earmarking.	Month it occurs.
Change in household payment.	Month it occurs.
Change in CMV of household cost.	Month it occurs.
Residence change.	Month after.

A contribution breakpoint is a change in the contribution such that the individual either begins to meet hi pro rata share or ceases to meet his pro rata share. Discuss local examples in which this has occurred. ***Refer to HO 10, Significant Change in Contributions.***

A reported breakpoint should be evaluated to determine if it could be material to the ISM currently charged o not charged. If the breakpoint could be material, obtain a signed statement regarding the nature of the change and the date of change. An SSA-8006 is necessary to document certain inside ISM breakpoints to determine their effect.

A material breakpoint should be developed using the specific rules for whatever the new living arrangement is.

Example **The breakpoint is to a PA household. After obtaining the individual's statement regarding who moved when, the CR requests evidence showing that all current household members are on public assistance.**

B. Gradual Changes in ISM:

A gradual change in ISM is one that takes place over time. It is not linked to a breakpoint. We do not expect individuals to report gradual changes as they would breakpoints.

A gradual change in inside ISM may result from changes in the household operating expenses due to inflation, deflation, and/or usage. Since the average expenses affect the computation of the pro rata share, they also affect the determination of sharing, earmarked sharing, and the AV of ISM. A gradual change in inside ISM may also result from gradual changes in the individual's contribution to household expenses.

A gradual change in inside ISM may be uncovered when reaveraging household operating expenses and contributions during a redetermination, an update of an appeal, or upon an individual's request for a reevaluation.

If the new average yields a new pro rata share which leads to a new ISM determination, e.g., a change from the VTR to sharing or vice-versa or the establishment of a new actual value of ISM, the ISM change is effective with the month the redetermination is initiated, the month the individual's request for reevaluation is

the month the individual's request for reevaluation is received, or the month the update interview is completed.

A gradual change in outside ISM is the result of changes in market conditions which result in a changed estimate of the CMV of an item of ISM. This affects only ISM which is based on CMV or current market rental value (CMRV) estimates rather than vendor charges. Examples of outside ISM subject to gradual changes are rent-free shelter, rental subsidy, wood for fuel from someone's wood lot or food from someone's garden.

A gradual change in outside ISM may be discovered during a redetermination or an update when new CMV's or CMRV's are requested. On rare occasions, the individual or provider may volunteer a new CMV or CMRV.

The effective month of a gradual change in outside ISM is:

1. **The month the redetermination is initiated;**
2. **The month the update interview is completed; or**
3. **The month a new CMV or CMRV is offered apart from a redetermination or update.**

C. ***Redeterminations:***

Generally, do not redevelop LA and ISM determinations on record for the period of review unless an undeveloped change is indicated at the redetermination or allegations pertinent to the period of review do not support the information on the SSR. However, redevelop the following issues as of the month the current redetermination is initiated:

- **Outside ISM based on an estimate of CMV or CMRV.**
- **LA basis of sharing.**
- **VTR.**
- **Inside ISM.**

1. ***REDETERMINING OUTSIDE ISM:***

   The CMV of outside ISM is based on the vendor charge when someone outside the household pays for the item of food or shelter. The CMV is based on the provider's estimate of the CMV when the item of food or shelter is something the provider gives the household without having purchased it (e.g., free shelter in a house he owns, food from his garden, etc.)

2. ***ISM BASED ON A VENDOR CHARGE:***

   Compare the individual's allegations on the redetermination forms with the SSR. ***Refer to HO 11, "Outside ISM Based on a Vendor Charge."***

3. ***OUTSIDE ISM BASED ON A CMV ESTIMATE:***

Unless there is a breakpoint reported involving the CMV or CMRV (e.g., a rent-free apartment was damaged by fire and never repaired), redevelop the outside ISM for the redetermination initiation month only. In other words, get a new estimate of the CMV or CMRV as of the redetermination initiation month.

In the same vein, if a possible <u>rental subsidy</u> is indicated at the redetermination because someone in the household is related as parent or child to the landlord, redevelop the CMRV as of the redetermination month only unless a breakpoint is reported for a month in the period of review. A breakpoint for the issue of rental subsidy is a residence change, a new landlord, a new member of the household or a change in the rent charged.

4. ***REDETERMINING LA BASIS AND INSIDE ISM:***

Redevelop these issues only if they are alleged at the redetermination. For example, for most redeterminations done on an SSA-8202, we will not get allegations regarding LA basis or ISM.

If breakpoints relating to LA basis and/or inside ISM are reported at the redetermination for the first time, these must be developed. In this case, the LA basis and inside ISM as of the redetermination initiation month does not need to be redeveloped as the current LA and ISM were developed in connection with the last breakpoint.

a. **Home ownership/rental liability**: Unless a change in residence or a change in home ownership or rental liability is reported for the first time at a redetermination, no development of these issues is required.

b. **Separate consumption/purchase**: If the CG field on the SSR shows that separate purchase or separate consumption was determined previously, and the LA code is A, no development of these issues is required.

c. **Public assistance household**: In general if the CG field shows PA household was determined previously and/or there is no inside ISM shown on the SSR, and no change in composition is reported, do not redevelop the issue of PA household.

Refer to the exercises which are included in the student material. Read the questions orally as the trainees follow. Ask for volunteers to answer, and discuss their responses.

EXERCISES:

1. Ms. Katherine Malley (DI) lives with her minor child and her mother and does not contribute toward household costs. A brother who lives in another town pays the $650 mortgage on the house in which they live. The deed is in the mother's name only. All food and the rest of the shelter expenses are paid by Ms. Malley's mother. This is not a public assistance household. How will the inside and outside ISM be valued?

   ANSWER: Since Ms. Malley does not have ownership interest or rental liability, the inside ISM for both food and shelter items paid for by the individual's mother is valued under the VTR rule. When the VTR applies, there is no need to develop the outside ISM.

2. Same example as number 1, but Ms. Malley's name is also on the deed. How will the inside and outside ISM be valued?

   ANSWER: The total ISM is valued under the PMV rule.

3. Same example as number 1, and Ms. Malley is found to be paying her share of the food and shelter expenses. How will the inside and outside ISM be valued?

   ANSWER: There is no inside ISM when sharing is met. The outside ISM would be valued under the PMV rule.

4. Mrs. Roybal lives in a house which belonged to her deceased son and daughter-in-law. Their children, ages 8, 11, and 16, live with her and have ownership interest in the house. Mrs. Roybal is their legal guardian. Mrs. Roybal has no income. The three children receive Social Security benefits on the record of their deceased parents and from an insurance annuity. Mrs. Roybal pays all the household operating expenses out of the children's income. What type of ISM is involved, and how is it valued?

ANSWER: Mrs. Roybal receives inside ISM from the children. The VTR cannot apply because she lives with children only. The inside ISM would be valued under the PMV rule.

5. Two months after becoming eligible for SSI, Mrs. Roybal (example 4) began contributing $100 a month toward the household operating expenses. The contribution is not earmarked. In the prior month her sister, Mrs. Armijo, moved into the household. The pro rata share is $135. How is the ISM, if any to be valued?

ANSWER: The VTR applies because Mrs. Roybal is not paying her pro rata share of food and shelter, she is no paying an earmarked share of either food or shelter, and she no longer lives with children only. The third element is the key difference between example 4 and example 5.

6. Ms. B. Wallmer applies for SSI in September 1988. She lives with her adult sister and brother-in-law and contributes to the household operating expenses from a disability insurance annuity. Assuming no change in residence or household composition, what is the averaging period for the sharing determination?

ANSWER: September 1987 - August 1988

7. If Ms. Wallmer (example 6) meets her pro rata share, and has rental liability, what additional issue(s) may have to be developed?

ANSWER: Consider ISM from other sources. Also, since she has rental liability, cash income from within the household is also a possible issue.

8. In the following examples of sharing development, identify those cases in which a third party statement is needed from the householder or other knowledgeable adult (other than the individual's spouse) to verify expenses and contributions. Assume the individual is not the householder in each case.

_x__ (a) Ms. Hardesty says she pays the electric bill every month as her share of the shelter costs but it doesn't come close to her pro rata share of shelter. She estimates her share of shelter expenses would be $90, and the electricity bill averages only $75.

____ (b) Mr. Angelio says he does not earmark his $200 contribution, but he is sure it never meets his pro rata share of food and shelter.

____ (c) Miss Ramsey says she has no money to contribute to household expenses.

____ (d) Mr. Zimmerman insists that he pays more than his share of the household expenses. His estimated pro rata share based on the SSA-8006 would be $150, and he always contributes at least $200.

_x__ (e) Mr. Syms says he makes a $240 car payment for the householder as his contribution to household expenses. He says his share of the average expenses would be $225.

ANSWER:

(a) Since her earmarked contribution is within $20 of her estimated earmarked share, a third party statement is needed to corroborate that she is not earmarking.

(b) When the claimant believes his contribution does not cover his share, accept the allegation. Do not develop household expenses unless the PMV applies and the individual rebuts the PMV.

(c) An allegation of zero contributions does not have to be verified with a third party.

(d) When the alleged contribution exceeds the pro rata share by $20 or more, no third party statement is needed.

(e) Since the alleged contribution is within $20 of the alleged pro rata share, a third party statement is needed to confirm whether sharing exists.

INSIDE ISM AND SHARING

Revisions to Title XVI In-kind Support and Maintenance (ISM) Policy and Procedure.

AUGUST, 1988

Student Handouts

OFFICE OF TRAINING

OFFICE OF HUMAN RESOURCES,
TRAINING, AND MANAGEMENT ANALYSIS

SEQUENCE OF INSTRUCTION *HO 1*

I. ***GENERAL RULES FOR VALUING ISM***

A. Basis for the Training

B. ISM Defined

C. Relationship between LA and ISM

D. Calculating Inside ISM

II. ***IDENTIFYING COMMON CONCEPTS IN DETERMINING INSIDE AND OUTSIDE ISM***

A. First of the Month Rule

B. Household Costs

C. Conversions of Household Costs

D. Household Composition

III. ***DEVELOPING INSIDE ISM***

A. Averaging Household Operating Expenses

B. Contributions

C. Prepaid Contributions

D. Other Contribution Issues

E. Evidence of Expenses and Contributions

F. Cash Income from within the Household

G. Cash Income from Outside the Household

H. Forms

IV. ***REDEVELOPING ISM***

A. Breakpoints

B. Gradual Changes in ISM

C. Redeterminations

Possible Sources of ISM
for Each Living Arrangement *HO 2*

	SOURCES OF ISM			
	INSIDE ISM		OUTSIDE ISM	ISM TO ONE
	FOOD	SHELTER		
GROUP I				
Lives only with deemor or spouse.			Possible	Possible
Lives alone or in noninstitutional care.			Possible	Possible
Lives with others* but has ownership interest	Possible (PMV)	Possible (PMV)	Possible	Possible
Lives with others* but has rental liability	Possible (PMV)	Possible (PMV)	Possible	Possible
Lives with others* and shares			Possible	Possible
Lives with others* and all in HH receive public asst.			Possible	Possible
GROUP II				
Separate purchase or consumption		Possible (PMV)	Possible	Possible
Earmarks share.	One or the other is definite (PMV)		Possible	Possible
Lives with others* and expenses do not include food or at least one item of shelter.	Possible (PMV)	Possible (PMV)	Possible	Possible
GROUP III				
Lives with others* and does not pay share and receives both food and shelter.	Value of the One-Third Reduction (VTR)			

* Others = Someone other than the individual's spouse, deemor, or children. In determining inside ISM subject to the PMV, the others may include children who have income.

The following items are household costs in developing inside and outside ISM.

FOOD

SHELTER ITEMS

(1) Mortgage, including property insurance required by the mortgage holder.

(2) Rent.
(3) Real Property Taxes.
(4) Heating Fuel.

(5) Gas and/or electricity.
(6) Water.
(7) Sewer.
(8) Garbage removal.

HOUSEHOLD OPERATING EXPENSES are the cash expenditures of a household toward the household costs. The term is used in developing ISM from within the household.

CURRENT MARKET VALUE is the amount of the household costs paid for or provided by someone outside the household.

EVENT REQUIRING DETERMINATION	AVERAGING PERIOD - GENERAL RULE
Initial Claims	12 month period prior to the first month for which the determination is needed, e.g., the month of effective filing.
Appeal Update	12 month period prior to the month the update form is completed.
Breakpoints	12 month period prior to the break-point effective month.
Redeterminations	12 month period prior to the month the redetermination is initiated.
Request for Reevaluation	12 month period prior to the month the reevaluation is requested.

EXCEPTION: If the individual's residence or the number of persons in the household has not been the same for the previous 12 months, use the consecutive full months the individual has lived there with the same number of persons as exists in the month for which the determination is being made. This may mean using the determination month and subsequent months up until the month the determination is being made.

IF THE PREPAYMENT	THEN
Is for a specific number of months <u>less</u> than 12 months	Divide the payment by the specific number of months and allocate it for the specified months.
Is for a specific number of months <u>more</u> than 12 months	Divide the payment by 12 and allocate it for 12 months beginning with the first month for which the contribution is specified.
Is not intended to cover a specific number of months	Divide the payment by 12 and allocate it for 12 months beginning with the month the contribution was made.

EXAMPLE: Ms. Gertrude Day is an eligible individual who lives alone. She moves to an adult son's home on September 30. On October 4 she withdraws her savings of $1440 and gives it to her son in return for his supporting her for October on. This is an allegation of a prepayment. When her prepaid contribution is verified, the DO divides the $1440 by 12 (the maximum number of months allowed) and credits her with a contribution of $120 per month for the 12 months beginning with October.

NOTE: If the individual makes additional contributions besides the prepaid contribution, add those average monthly contributions to the monthly prepaid contribution.

Evidence of Expenses and Contributions

HO 6

NOTE: Generally, evidence of expenses and contributions is a signed statement from the householder or other knowledgeable adult member of the household (other than the individual's spouse).

EXCEPTIONS: In certain situations, a determination may be based solely on the individual's allegations:

DEVELOPING FOR	SITUATION
Sharing as the LA Basis	Zero contribution. Token contribution. Alleged contribution exceeds pro rata share by $20 or more. Alleged contribution falls short of pro rata share by $20 or more.
Inside ISM subject to PMV	Individual is the householder. Alleged contribution exceeds the pro rata share by $20 or more. Individual alleges ISM greater than PMV or does not rebut PMV.
Earmarked Sharing as LA Basis	Token earmarked contribution. Alleged earmarked contribution falls short of the alleged pro rata share by $20 or more.

Cash from Within the Household

HO 7

(1)	Amount of recipient's cash contributions:	----------
	Minus amount of recipient's pro rata share of expenses:	- ----------
	Balance equals recipient's excess cash contribution	= ----------
(2)	Total household cash contributions, including recipient's	----------
	Minus recipient's excess contribution	- ----------
	Equals balance of household cash contributions	= ----------
(3)	Balance of household cash contributions	----------
	Minus total household operating expenses	- ----------
	Cash income* (Type S)	= ----------

* DIVIDE THE CASH INCOME BY THE NUMBER OF HOUSEHOLDERS, E.G., THE INDIVIDUAL AND SPOUSE.

INSIDE ISM BREAKPOINTS

1. Change in ownership interest or rental liability;
2. Change in public assistance (PA) household status;
3. Change in separate purchase/consumption;
4. Change in contribution to household expenses;
5. Change in household composition;
6. Change in non-fluctuating household operating expense;
7. Change in earmarking;
8. Change in residence.

OUTSIDE ISM BREAKPOINTS

1. Change in household composition;
2. Change in household payment towards the household cost;
3. Change in the CMV of the household cost--a change in the vendor charge or if there is no vendor charge, a change in the estimate of the CMV which results from an identifiable event.
4. Change in provision of household items by someone outside the household, i.e., starting or stopping.
5. Change of residence.

Breakpoint
Effective Months

HO 9

The following chart shows the effective month of change for all breakpoints:

EVENT	EFFECTIVE MONTH OF CHANGE
Change to rental liability or ownership interest (from VTR)	Month it occurs.
Loss of rental liability or ownership interest	Month after it occurs.
PA Household:	
Member starts receiving PA.	Month it occurs.
Member stops receiving PA.	Month after.
Member without PA moves in or out.	Month after.
Change to separate purchase or consumption.	First full month it occurs.
Change from separate purchase or consumption.	Month it occurs.
Change in contribution.	Month it occurs.
Change in composition.	Month after.
Change in non-fluctuating household operating expense.	Month it occurs.
Change to earmarking.	First full month it occurs.
Change from earmarking.	Month it occurs.
Change in household payment.	Month it occurs.
Change in CMV of household cost.	Month it occurs.
Residence change	Month after.

EXAMPLE 1: Mr. John Nat reports to the FO in January that because he began receiving SSI in the previous November, he increased his contribution to $200 as of December. The interviewer completes an SSA-8006 with Mr. Nat. Since Mr. Nat's alleged contribution ($200) exceeds the alleged pro rata share ($150), the CR determines that a significant contribution change has occurred and that as of December he is no longer subject to the VTR.

EXAMPLE 2: Mr. Greg Penson, an adult eligible individual, reports for a redetermination in April 1988. The interviewer noted that Mr. Penson has been subject to the VTR for the period being redetermined. Mr. Penson says he still lives with his parents in a home they own. He also says he does not usually contribute. However, in September 1987, he received his 1986 tax refund of $300, and he gave his parents $200 towards the household expenses. His contribution decreased in October to zero (another significant change). The $200 is attributed only to September. The CR does a sharing determination for September only.

OUTSIDE ISM BASED ON A VENDOR CHARGE

HO 11

IF . . .	AND IF . . .	THEN . . .
Individual knows the values of ISM for the period of review	The allegation and other information match the SSR	No development is needed.
	The allegation or other information conflicts with the SSR	Develop the ISM for the months of conflict.
Individual does not know the values of ISM for the period of review	The value shown on the SSR is less than the PMV	Develop the ISM for months in the period of review where ISM is less than the PMV.
	The value shown on the SSR (for outside ISM) is the PMV	Offer rebuttal. Obtain evidence for all months where PMV is rebutted.

EXERCISES:

1. Ms. Katherine Malley (DI) lives with her minor child and her mother and does not contribute toward household costs. A brother who lives in another town pays the $650 mortgage on the house in which they live. The deed is in the mother's name only. All food and the rest of the shelter expenses are paid by Ms. Malley's mother. This is not a public assistance household. How will the inside and outside ISM be valued?

   ANSWER:

2. Same example as number 1, but Ms. Malley's name is also on the deed. How will the inside and outside ISM be valued?

   ANSWER:

3. Same example as number 1, and Ms. Malley is found to be paying her share of the food and shelter expenses. How will the inside and outside ISM be valued?

   ANSWER:

4. Mrs. Roybal lives in a house which belonged to her deceased son and daughter-in-law. Their children, ages 8, 11, and 16, live with her and have ownership interest in the house. Mrs. Roybal is their legal guardian. Mrs. Roybal has no income. The three children receive Social Security benefits on the record of their deceased parents and from an insurance annuity. Mrs. Roybal pays all the household operating expenses out of the children's income. What type of ISM is involved, and how is it valued?

ANSWER:

5. Two months after becoming eligible for SSI, Mrs. Roybal (example 4) began contributing $100 a month toward the household operating expenses. The contribution is not earmarked. In the prior month her sister, Mrs. Armijo, moved into the household. The pro rata share is $135. How is the ISM, if any to be valued?

ANSWER:

6. Ms. B. Wallmer applies for SSI in September 1988. She lives with her adult sister and brother-in-law and contributes to the household operating expenses from a disability insurance annuity. Assuming no change in residence or household composition, what is the averaging period for the sharing determination?

ANSWER:

7. If Ms. Wallmer (example 6) meets her pro rata share, and has rental liability, what additional issue(s) may have to be developed?

ANSWER:

8. In the following examples of sharing development, identify those cases in which <u>a third party statement is needed</u> from the householder or other knowledgeable adult (other than the individual's spouse) to verify expenses and contributions. Assume the individual is not the householder in each case.

____ (a) Ms. Hardesty says she pays the electric bill every month as her share of the shelter costs but it doesn't come close to her pro rata share of shelter. She estimates her share of shelter expenses would be $90, and the electricity bill averages only $75.

____ (b) Mr. Angelio says he does not earmark his $200 contribution, but he is sure it never meets his pro rata share of food and shelter.

____ (c) Miss Ramsey says she has no money to contribute to household expenses.

____ (d) Mr. Zimmerman insists that he pays more than his share of the household expenses. His estimated pro rata share based on the SSA-8006 would be $150, and he always contributes at least $200.

____ (e) Mr. Syms says he makes a $240 car payment for the householder as his contribution to household expenses. He says his share of the average expenses would be $225.

*U.S. Government Printing Office: 1988-201-906/93710